Supreme Court U.S.
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No. 01-1376

IN THE

Supreme Court of the United States

FUJI PHOTO FILM CO., LTD.,

Petitioner,

v.

JAZZ PHOTO CORPORATION
AND DYNATEC INTERNATIONAL, INC.,

Respondents.

On Conditional Cross-Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

SUPPLEMENTAL BRIEF OF CROSS-RESPONDENTS

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TABLE OF CONTENTS

	Page
TABLE OF AUTHORITIES	ii
SUPPLEMENTAL BRIEF OF CROSS-RESPONDENTS	1
CONCLUSION	7

TABLE OF AUTHORITIES

CASES

	Page
Champion Spark Plug Co. v. *Emener*, 16 F. Supp. 816 (E.D. Mich. 1936)	5
Cotton-Tie Co. v. *Simmons*, 106 U.S. 89 (1882)	2
Dana Corp. v. *American Precision Co.*, 827 F.2d 755 (Fed. Cir. 1987)	4, 5
Hewlett-Packard Co. v. *Repeat-O-Type Stencil Mfg. Corp.*, 123 F.3d 1445 (Fed. Cir. 1997)	4, 5
Micromatic Hone Court v. *Mid-West Abrasive Co.*, 177 F.2d 934 (6th Cir. 1949)	5
Morgan Envelope Co. v. *Albany Perforated Wrapping Paper Co.*, 152 U.S. 425 (1894)	2, 3
TSC Indus., Inc. v. *International Harvester Co.*, 406 F.2d 53 (7th Cir. 1968)	5
Wilbur-Ellis Co. v. *Kuther*, 377 U.S. 422 (1964)	2, 5

RULES

Sup. Ct. R. 10	1
12.6	1
15.8	1

SUPPLEMENTAL BRIEF OF CROSS-RESPONDENTS

Fuji Photo Film Company (Fuji) filed a conditional cross-petition that was docketed on March 19, 2002. Under Rule 12.6 of the Rules of this Court, "a response supporting the petition shall be filed within 20 days after the case is placed on the docket, and that time will not be extended." The purpose of this nonextendable deadline is to allow respondents opposing the petition to respond to any arguments of supporting respondents in their opposition brief. The International Trade Commission ("ITC") did not file its response in support of Fuji's conditional cross-petition on April 8, 2002, as required. Instead, after two extensions, the ITC filed a response on May 22, 2002, two days after cross-respondents' opposition was filed, thus denying cross-respondents the opportunity to respond to its arguments. On advice of the Office of the Clerk of this Court, cross-respondents are entitled to file a supplemental brief without motion pursuant to Rule 15.8 of the Rules of this Court. See Sup. Ct. R. 15.8 (permitting supplemental briefing on any "intervening matter not available at the time of the party's last filing").

By stating that the issue presented in Fuji's conditional cross petition is whether a product may be refurbished once it has "completed its function and been voluntarily destroyed," ITC Br. at (I), the ITC effectively acknowledges that Fuji seeks review of a mere factbound question about when a camera is spent. The ITC then confirms that its issue is not itself worthy of certiorari, rejecting Fuji's claim of a conflict of authority and stating that the issue presented relates merely to an application of settled law to the facts. *Id.* at 7; see Sup. Ct. R. 10. Moreover, the ITC does not contend that this ruling has any importance to anyone other than the parties subject to the proceedings below. In the end, the ITC seeks nothing more than vindication of its reversed ruling on repair.

The Federal Circuit decided this issue correctly, but in any event the ITC gives the Court no reason to grant certiorari on a question that would require it to delve into the factual details of the entire ITC record, and review agency factual findings in determining whether or not a camera is capable of repeated use, which particular parts are worn out, and what types of processes are used to manipulate the parts and replace the film, among other things. This Court should deny the conditional cross petition.

On the merits, it is the ITC that misapplies *Cotton-Tie Co.* v. *Simmons*, 106 U.S. 89 (1882), and ignores a plethora of subsequent precedent. *Cotton-Tie* does stand for the proposition that once the invention is "destroyed", *i.e.*, its "useful capacity" is spent, *id.* at 94; *Wilbur-Ellis Co.* v. *Kuther*, 377 U.S. 422, 424 (1964), refurbishing it amounts to reconstruction. *Cotton-Tie* does *not* stand for the proposition that a product is destroyed and spent whenever the first purchaser has discarded a product with remaining useful capacity because it no longer has any economic utility to him. Indeed, the case law ignored by the ITC makes clear that a product may be permissibly repaired after the first purchaser has completed use of that product and discarded it.

In *Cotton-Tie*, the invention comprised only a band and an attached buckle. The defendant had to remake the band from pieces of metal, and reattach a buckle. The defendant was truly making the patented combination, attaching or melding together every piece of the patented combination, and leaving no element recited in the patent claim untouched. See 106 U.S. at 93-95. Thus, this Court held that the defendant had "made" a product after the original was spent. The key holding of the Court in *Cotton-Tie* was that when the tie was initially severed at the mill, "[i]ts *capacity for use as a tie* was voluntarily destroyed." *Id.* at 94 (emphasis added). As this Court later commented in *Morgan Envelope Co.* v. *Albany Perforated Wrapping Paper Co.*, 152 U. S. 425 (1894), the basis of the infringement holding in *Cotton-Tie* was that the

severance of the tie was "as complete a destruction of it as would be the explosion of a patented torpedo." *Id.* at 434.

Here, by contrast the useful capacity of the camera is not destroyed when a photoprocessor opens the back of the camera to remove the film, as the Federal Circuit properly held. Pet. App. 16a-17a. Petitioners replace only film, battery and a paper label in a camera containing dozens of fully functional electrical and mechanical parts. Unlike Fuji, which erroneously presents this issue as a pure one of law, the ITC invites this Court to correct the application of law to the evidence developed in the administrative proceeding. Even if the Court were inclined to engage in such review, the record below is replete with evidence that the camera is not destroyed by photoprocessing. Aside from the evidence on physical condition and repair processes on which the Federal Circuit directly relied, Fuji itself (outside this litigation) has effectively acknowledged that its cameras are not spent or "destroyed" after their first use, but instead are capable of repeated use. Indeed, Fuji [

] (2) including statements in the very patent in this litigation indicating that one of the advantages of the invention was to permit easy reloading and reuse of the camera (A929, Col. 6); and (3) filing other patents on substantially identical cameras with easily removable backs, and stating in those patents that the purpose of allowing the back to be removed easily was to facilitate easy reloading and reuse (A1243-1276). Thus, unlike *Cotton-Tie*, Fuji's own conduct manifests a clear admission by the patent owner that the product can and should be reused repeatedly.

Thus, the predicate for the ITC's claim of error – that a camera is voluntarily destroyed when the consumer submits it for photoprocessing – is not supportable in the record or the

law. The Federal Circuit has already long rejected the notion that disassembly of a product constitutes voluntary destruction of a patented product. *Dana Corp.* v. *American Precision Co., Inc.*, 827 F.2d 755, 760 (Fed. Cir. 1987). Consequently, neither the consumer giving the product to the photoprocessor, nor the photoprocessor snapping open a small piece of plastic at the bottom thereof, "destroys" the product such that the combination "ceases to exist." Likewise, the fact that the typical consumer has chosen not to reuse the camera does not provide any evidence that the product is not perfectly capable of repeated use. *Id.* (holding that the economic decision of a consumer to replace rather than repair a product does not determine whether that product is actually "spent" or whether the product has useful life remaining). Indeed, there is a fiercely competitive market for the processed cameras, which far from being destroyed, are sold in bidding processes by major retail chains (which not only sell cameras but also perform photoprocessing services) for a substantial percentage of the price of the entire camera new. Unlike *Cotton-Tie*, the product is not destroyed after the first use, but rather, like the discarded truck clutches at issue in *Dana*, the cameras at issue here have useful life remaining, even if they must first be partially disassembled in order to facilitate the replacement of the film.

There are many products in every day use that are economically "used up" by their original purchasers and deemed not economically worth reusing but which are routinely refurbished and resold. These items have never been deemed "spent" by courts. Ink jet cartridges, for example, have never been deemed "spent" simply because the ink is used up and the original purchaser usually does not wish to refill the ink. *Hewlett-Packard Co.* v. *Repeat-O-Type Stencil Mfg. Corp.*, 123 F.3d 1445, 1451-52 (Fed. Cir. 1997) (citing *Mitchell* v. *Hawley*, 83 U.S. (16 Wall.) 544, 547 (1872)). Nor have auto transmissions been deemed destroyed simply because their first user has traded them in. These

products are typically collected by professionals, refurbished, and reused. These and similar recycled products play a critically important role in the national economy, often spurring entire industries and trade organizations of their own. Pet. 24.

The case law subsequent to *Cotton-Tie* is legion that a product intended for limited or single use, after being so used and discarded or traded in, may be collected, permissibly repaired, and sold to a third party. This is true as long as the defendant does not "make" a new article. *Hewlett-Packard*, 123 F.3d at 1451; *Dana Corp.*, 827 F.2d at 760 (first purchaser's decision to replace and not repair a product is irrelevant to the repair doctrine, which must focus on the physical characteristics of the product.); *Champion Spark Plug Co.* v. *Emener*, 16 F. Supp. 816, 821 (E.D. Mich. 1936) (collection of used spark plugs discarded by service stations after serving their recommended mileage may be permissibly repaired.); *TSC Indus., Inc.* v. *International Harvester Co.*, 406 F.2d 53 (7th Cir. 1968) (farm equipment sold for one season only and inoperable after being so used may be purchased for scrap value at the end of the season, refurbished, and sold for subsequent use.); *Wilbur-Ellis Co.* v. *Kuther*, 377 U.S. 422 (1964) (machines corroded away and discarded by their first purchaser may be refurbished and reused); *Micromatic Hone Court* v. *Mid-West Abrasive Co.*, 177 F.2d 934 (6th Cir. 1949) (Single use products that served their intended purpose and which are economically spent may nonetheless be repaired if they are physically capable of reuse without reconstruction.).

No court has ever held that a product is deemed spent simply because the first purchaser is through with it. Quite the contrary, courts have been strict in defending a refurbisher's right to repair and sell used products, and consistently have refused to allow the patent owner to eliminate the market for used products once that patent owner has already enjoyed the freedom from competition provided

by the patent for the patent owner's original sale. The only products that may not be so refurbished are those that are deemed spent – namely, those that require an entire "making" to be reused. No policy of patent law justifies allowing a patentee to either destroy a resale market or extract a second royalty on an article that has useful capacity still left, just because it is not the original consumer that has the expertise and economic incentive to repair the item. Try as it might to resurrect its erroneous ruling, the ITC cannot alter the fact that this case is different from *Cotton-Tie* in that the specific product and specific patent claims are drastically different. *Cotton-Tie* involved a product and a patent claim with two elements, both of which were being replaced; yet this case involves claims with numerous elements in a camera with dozens of parts, only three expendable ones of which are being replaced.

The question presented in the petition regarding foreign-sale exhaustion of patent rights is a pure and important question of law that universally applies to all patented goods in international circulation and on which there is a conflict of authority. The Court can resolve that critical issue without becoming enmeshed in the extensive administrative record below relevant to repair. Granting that question in no way suggests that this Court should engage in painstaking review of the Federal Circuit's (entirely correct) application of settled law to the evidence of record on the question of whether cameras are "destroyed" or "spent" and thus ineligible for repair.[1]

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[1] The ITC is correct that its orders remain in force, as modified by the Federal Circuit's ruling that there is a noninfringing methodology for reloading the cameras. ITC Br. 7 n.3. Petitioners conduct their businesses in compliance with the eight-step safe harbor for permissible repair, although they cannot import any repaired cameras first sold abroad because of the Federal Circuit's exhaustion ruling. The ITC mentions that "[t]o date, no importer has shown that its refurbishing procedures are limited to the common steps held to be permissible repair by the decision

CONCLUSION

The Court should deny the conditional cross petition.

Respectfully submitted,

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below." *Id.* Petitioners wish to clarify that those repair processes have yet to be adjudicated, and there is currently preliminary litigation before the ITC in which petitioners, the ITC staff, and Fuji take different positions as to the proper proceeding (enforcement or nonappealable advisory proceedings) in which such adjudication should take place. Those procedural disputes notwithstanding, the relevant point is that, contrary to Fuji's claims, the ITC confirms that, apart from the exhaustion issue, petitioners are not categorically prohibited on a going-forward basis from importing properly repaired cameras, and thus the Federal Circuit's ruling on exhaustion is not advisory.